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ECONOMIC FORECASTING CENTER

MONTHLY PROJECTIONS
June 1989

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HAS THE RECESSION'S FIRST CHAPTER BEEN WRITTEN?

Although the employment report for June showed some weakness, especially in the goods-producing sector, enough jobs appear to have been generated in the service sector to eliminate any question that the United States currently is in recession. Certainly, the diffusion index, which showed that 54% of more than 340 industries reported employment gains, is sufficient to eliminate any recessionary questions. However, a separate diffusion index for manufacturing showed only 46% recording employment gains. This is consistent with a call of recession in the industrial sector. Moreover, that decline was the third consecutive performance of less than 50% employment gains.

Industrial weakness surfaced as well in the industrial production report for June. Not only was activity down by 0.2%, but the May figure was revised to a modest decline. Significantly, activity declined for business equipment as well as for consumer goods. Damp and cool weather and a coal miners' strike also impacted the June index. Also, retail activity showed weakness, with sales falling 0.4% in June following a 0.1% decline in May. Weakness in auto sales accounted for the slowdown, but sales adjusted for inflation clearly are also down from January levels.

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Indeed, the weakness in industrial activity appears to be the result of production plans that have exceeded actual sales. Instead of adjusting inventories downward, the latest manufacturing report showed a significant increase in inventories. Moreover, inventories of finished goods increased 1%. They were up even more for nondurables. When these facts are coordinated with the report by purchasing managers that orders weakened in June and that employment moderated, further declines in production may develop. Certainly, shipments exceeded orders by a very meager margin in May.

Even the inflationary indices are showing signs of weakness. Although the producer price index for finished goods increased 0.7% excluding food and energy in June, the index less food and energy at the intermediate and crude materials levels both fell sharply. Sensitive prices measured by the Journal of Commerce index peaked in April, although they have not declined dramatically from those peak levels.

Of course, the creation of more than 150,000 service jobs does not reflect a recession. At the same time, those service jobs were heavily concentrated in health services and miscellaneous services. The latter sector can be revised significantly in subsequent reports. Employment in the trade sector was flat in June and only rose modestly in the transportation and financial services areas. Thus, the economy is not experiencing robust growth at the present time.

To further accentuate the developing weakness, seasonally-adjusted commercial and industrial loans at commercial banks fell significantly in the latter half of June. This reverses strong increases in the past two months. Short-term interest rates continued to ease, with rates for commercial paper continuing to fall more than 0.3 percentage points below the federal funds rate. Indeed, short-term interest rates would fall further except for the very gradual downward movement of interest rate targets by the Federal Reserve.

In short, weakness in retail activity, rising orders for finished goods, declines in industrial production, weakness in productivity, and softness for short-term interest rates all are consistent with the first chapter of an economic recession. Thus, the prospects that a recession could be about to begin cannot be totally dispelled. On the other hand, recessions do not start when employment gains continue to exceed 150,000 per month. Even though initial claims have risen recently, recessionary claims usually are in the 450,000 - 550,000 weekly range. This is well above the 340,000 that have been recorded in recent weeks. For those reasons, a recession certainly has not yet begun. However, the first chapter of the next recession will read like the indicators that were released last Friday.

Quarterly Profile of GNP

	1989-1	1989-2	1989-3	1989-4	1990-1	1990-2	1989 Annual	1990 Annual
Real:	4.4	0.5	2.0	2.1	1.4	0.2	2.5	1.0
Price:	3.6	5.1	4.0	4.3	4.6	4.8	4.6	4.5
Nominal:	8.2	5.7	6.1	6.5	6.1	5.1	7.2	5.6

Monthly Statistical Highlights

	June 1989	July 1989	Aug 1989
Payroll Employment		+165,000	+176,000
Index of Hours Worked		+0.2%	+0.2%
Household Employment		+172,000	+192,000
Civilian Unemployment Rate		5.3%	5.3%
Personal Income	+0.4%	+0.4%	+0.5%
Savings Rate	5.3%	5.3%	5.1%
Personal Consumption	+0.5%	+0.4%	+0.7%
Retail Sales		-0.1%	+0.7%
Auto Sales		9.9*	10.2*
Housing Starts	+2.2%	+2.3%	-0.2%
Housing Permits	-2.2%	+0.4%	-0.6%
Construction Expenditures	-1.3%	+0.9%	+0.9%
Business Inventories	+0.6%	+0.6%	+0.6%
Orders for Durable Goods	-0.8%	+1.4%	-1.3%
Orders - Nondefense Capital Goods	-0.5%	+1.3%	-3.4%
Industrial Production		-0.1%	UNC
CPI		+0.3%	+0.3%
PPI		+0.1%	+0.2%
Consumption Deflator	+0.3%	+0.3%	+0.3%
Leading Indicators	-0.2%	+0.4%	-0.2%
Currency Index		-3.2%	-2.5%
Equity Index		+4.3%	+1.3%
Real GNP (annual rate)	+2.1%	+1.2%	+4.5%
M1 (annual rate)		+5.3%	+8.7%
M2 (annual rate)		+7.4%	+8.7%

* auto sales in millions

COMMENTARY

EMPLOYMENT - For the third consecutive month, more manufacturing industries reduced employment than increased it. However, sharp increases in service employment led to a 180,000 increase in payrolls. In addition, the May increase was revised upward from 101,000 to 207,000. However, the workweek declined to the lowest level in more than six years. Employment gains were sufficient to allow a modest increase in the index of hours worked. However, heavy rain led to a reduction in hours worked in construction while manufacturing hours also declined. A sharp increase in the unemployment of teenagers led to a slight increase in overall unemployment rates. This could be the result of seasonal employment factors in June. If so, the unemployment rate would be susceptible to a decline in July. However, further weakness is expected in employment opportunities. Employment also was flat for retail trade and showed only modest gains in the finance and transportation sectors.

For the second consecutive month, hourly earnings showed little growth. Of course, layoffs in the manufacturing sector were in the high-wage areas, that could be depressing that series. Nevertheless, hourly earnings are only up 3.8% from a year ago and they are showing no significant trend at the present time. Shrinkage in the workweek possibly could mean more significant layoffs next month.

PERSONAL INCOME AND OUTLAYS - A substantial upward revision in tax collections led to significant declines in disposable income and personal savings in the past few months. As a result, the savings rate now is only 5.3% rather than more than 6%. Of course, the result of this is improved federal revenues leading to lower deficits than previously expected. Weak gains in wages and salaries indicated that the declining workweek was largely correct for May. Some rebound is expected in wage and salary income in June, but there should be a slowing in gains from interest income. As interest earnings grow more slowly, gains in personal income also will be reduced.

Farm income also has weakened as subsidies have diminished. Further weakness is expected in the next few months before a rebound should develop at the time of the September harvest.

Sharp increases in financial and utility services led to a significant increase in consumer spending during May. Excluding that surge, consumer spending would have declined. Cloudy weather should hold down utility spending in June although financial services remained strong. Auto sales weakened but some modest rebound is expected in sales of nondurable goods.

In June, retail sales fell 0.4% as a result of a dip in auto sales. This is consistent with the reduction in unit sales. However, auto sales are picking up slightly early in July. Thus, some rebound in retail sales should be expected that month. Nevertheless, weakening prices for food and energy will be reflected in continued flatness in sales of nondurable goods.

CONSTRUCTION - As expected, single-family housing sales fell in May reflecting lower permits during the previous month. As some strength has developed in those permits, a slight rebound could be anticipated in June starts. However, most of the strength currently is anticipated in apartment construction, which reached unusually low levels early in spring.

A revision of construction expenditures led to substantially higher spending on public construction than originally reported. Some upward revisions also were reported for residential activity. In addition, the sharp rebound in public construction during May was contained in conservation and miscellaneous public projects. These gains are not expected to persist. On the other hand, nonresidential private construction remains sluggish. Further moderate weakness is anticipated in June before a modest rebound should develop later in the year. Industrial construction has leveled while commercial construction other than office buildings has weakened considerably. This generally reflects retail space activity. Further weakness is anticipated in retail construction through the summer months.

The revision also raised the implicit costs of construction goods. As a result, the GNP deflator probably will be revised upward for the past year or so.

Damp weather probably will continue to restrain construction expenditures in the early summer months before a rebound is anticipated. However, weakness in nonresidential construction and no further growth in public construction should lead to further moderate weakness in construction despite a rebound in housing activity late this year.

BUSINESS ACTIVITY - Probably the most significant factors in the manufacturing report for May were significant declines in orders relative to shipments, leading to a negligible further increase in backlog, and a significant increase in inventories for finished goods. The slowing of backlogs suggests that production declines could develop if orders weaken further. The manufacturing figures suggest that an imbalance between anticipated sales and production has developed and almost certainly will lead to further restraints upon production. In other words, several months of weakness in the industrial sector can now be anticipated.

The purchasing managers already indicate that orders probably weakened again in June. Moreover, signs that industrial production and business equipment fell in June suggest that orders for nondefense capital goods may be weakening further. A shrinking backlog is anticipated in that sector before the end of summer.

Industrial production showed weakness in business equipment and consumer goods activity with auto assemblies at only 6.8 million units in June. This should slow the growth of orders. In addition, bottleneck pricing is rapidly dissipating.

PRICES - Construction costs have been revised upward and their rate of increase has also been revised in recent months. This necessitates a more rapid rate of change in the implicit construction deflator than originally generated. Also, these upward revisions suggest that the GNP deflator will be revised upward. No adjustments have been made to reflect that at this time, except to the extent that the construction deflator is now growing at a faster rate.

On the other hand, inflationary forces are rapidly diminishing. The reduction in bottlenecks is clearly reflected in prices of industrial materials. In addition, oil prices appear to be stalled at slightly more than $20 per barrel. In addition, grocery store prices currently are projected to show little change in the second half of this year. Thus, a 48% increase in prices of vegetables from a year ago should actually be reversed slightly. With less pressure for price increases of oil and food products and reduced industrial material pricing pressures, moderation is expected in prices of goods and services. Although prices of consumer nondurables have been growing faster than anticipated early this year, they are now flattening out. Prices of consumer durables also are expected to grow slowly. As a result, the consumption deflator should grow about a half percent more slowly in the next twelve months than originally projected. This moderation of inflation also is anticipated in the CPI and PPI indices.

MISCELLANEOUS - The strong dollar has aided the merchandise trade balance by restraining import prices. However, the flows of imports should gradually intensify later this year. This will be offset to some extent by domestic weakness. The net effect of these crosscurrents is a trade balance that appears stalled between $8 and $9 billion per month. Such a stalled trade balance along with reduced short-term interest rates and weakening profitability in the United States should put downward pressures upon the dollar. The dollar alreay appears to have peaked and should be falling significantly over the next twelve months.

The leading indicators should fall further in June, as sensitive prices and the workweek already have declined. In addition, initial claims have risen significantly and delivery delays have shrunk. The only offsetting force at this time is a further increase in stock market values. The money stock may have ceased declining.

Actual profits probably will be falling significantly as inventory profits are squeezed out of the system. However, this should improve the quality of profits, which had deteriorated significantly during the first half of this year. The stock market's reaction to this improved quality is difficult to gauge, as the market refused to sell off during a period of significant quality erosion. At any rate, as the IVA declines, adjusted profits should remain near current levels despite weakness in industrial activity. On the other hand, after tax profits probably will be down 4% from previous year levels by the end of this year.

FINANCIAL MARKETS

Strong tax collections have led to a reduction in government borrowing requirements. Further moderation in government borrowings is not anticipated through the remainder of this year. However, reductions in defense requirements probably will lead to modestly further declines in borrowings during 1990. On balance, however, the government sector probably will be neutral in influencing interest rate movements over the next year.

The household sector did not increase savings as much as originally anticipated as a result of heavy tax payments, but some improvement did develop. Savings rates may rise slightly later this year, but the household sector on balance probably will preserve current contributions to credit markets. As housing activity will gradually improve, the household sector may be slightly reducing net savings late this year.

The corporate sector already is significantly increasing borrowings in order to finance undesired inventories. In addition, corporate cash flows appear to be under some downward pressures. As the IVA declines, however, corporate borrowing requirements may diminish. Therefore, reductions in corporate borrowing needs could lead to significant declines in interest rate pressures during the second half of this year. Further moderate declines next year also could be anticipated as capital spending programs are contained.

The combined influences of the domestic sector suggest that interest rates could be falling slightly later this year and fall again early next year. Foreign investors may work against such a trend. As the dollar begins losing value, they may desire a withdrawal of funds from the United States. This could put upward pressures upon interest rates. However, they are not expected to dramatically shift portfolios, as alternatives to U.S. capital are not easy to find.

On balance, interest rates should be moving downward this year and next year. However, most of the downward movement probably will be in short-term interest rates, especially as the Federal Reserve finally decides that economic slowing may be greater than they had desired. Such a realization should surface after consumer prices slow to the 4% zone. Thus, by the end of summer, the Federal Reserve should be aggressively pushing short-term interest rates down. There will be little opportunity for further declines in long-term interest rates, as long term investors already are anticipating such a Federal Reserve policy. Nevertheless, long-term government bond yields could fall a half a percentage point over the next twelve months.

The federal funds rate remains well above commercial paper rates. This indicates that the Federal Reserve is not leading the easing movement but is actually lagging behind. Thus, the yield curve remains nearly inverted despite downward movements in interest rates. The Federal Reserve is expected to grudgingly move target rates downward, as the economy continues to perform weakly. The result should be a significant drop in the prime rate before the end of this year.

EQUITY MARKETS - Areas of weakness should include some of the cyclical issues that "soft landing" advocates had been endorsing. For example, profits should be taken in the automotive and metals industries. Buildup of inventories should create some concern about holdings in textiles and furniture. Retail issues should be looked at with care. Until the dollar weakens significantly, multi-national issues should remain suspect.

However, interest-sensitive issues, including some construction-related activity, could perform well. While the technology issues are expected to weather earnings embarrassments for the remainder of this year, they should perform better next year. Some of the secondary issues also appear to have merit.

On balance, the stock market appears to be overvalued. A 10% decline in market values from current levels should be anticipated over the next six months. However, further declines in interest rates should prevent any serious downward movement in equity values.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1989	108065	107442	128.3	127.4	116711	116711	5.4	5.4	9.49	9.49
February	108341	107711	127.8	127.2	116853	116853	5.1	5.1	9.50	9.52
March	108512	107888	128.1	127.0	117136	117136	5.0	5.0	9.52	9.54
April	108695	108101	129.5	128.7	117226	117113	5.2	5.3	9.58	9.61
May	108820	108308	128.0	127.6	117363	117215	5.2	5.2	9.62	9.61
June	108946	108488	128.5	127.8	117502	117541	5.1	5.3	9.66	9.62
July	109167	108653*	128.9	128.0*	117743	117713*	5.1	5.3*	9.70	9.66*
August	109384	108829	129.3	128.2	117979	117905	5.0	5.3	9.74	9.69
September	109602	109083	129.7	128.5	118208	118107	5.0	5.2	9.78	9.72
October	109715	109319	129.5	128.8	118328	118367	5.0	5.2	9.82	9.75
November	109832	109508	129.7	129.0	118497	118582	5.1	5.2	9.86	9.78
December	109950	109705	129.9	129.2	118654	118821	5.0	5.1	9.90	9.81
January 1990	110106	109894	130.0	129.4	118827	119022	5.0	5.1	9.94	9.85
February	110303	110007	130.2	129.5	119012	119160	5.0	5.1	9.98	9.88
March	110501	110110	130.3	129.6	119296	119306	5.1	5.2	10.02	9.91
April	110605	110091	130.4	129.5	119337	119236	5.1	5.4	10.06	9.94
May	110636	110043	130.4	129.3	119305	119256	5.2	5.5	10.10	9.98
June	110640	110051	130.3	129.2	119324	119298	5.3	5.7	10.14	10.02

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1989	4.272	4.273	2.559	2.559	187.9	169.3	3.659	3.639	3.472	3.470
February	4.316	4.318	2.571	2.571	213.7	204.2	3.701	3.687	3.487	3.483
March	4.350	4.356	2.592	2.594	234.0	220.7	3.729	3.716	3.495	3.496
April	4.378	4.377	2.607	2.611	220.8	158.3	3.750	3.692	3.529	3.533
May	4.398	4.390	2.619	2.616	207.9	199.4	3.765	3.744	3.557	3.544
June	4.420	4.408*	2.631	2.624*	206.2	198.9*	3.781	3.759*	3.575	3.560*
July	4.450	4.426	2.649	2.633	214.2	199.1	3.814	3.773	3.600	3.574
August	4.481	4.448	2.667	2.646	211.5	194.6	3.834	3.792	3.623	3.597
September	4.511	4.473	2.685	2.663	218.0	201.4	3.855	3.813	3.637	3.612
October	4.534	4.497	2.699	2.679	219.3	199.3	3.875	3.833	3.656	3.634
November	4.554	4.520	2.709	2.694	221.5	203.3	3.894	3.853	3.673	3.650
December	4.573	4.542	2.719	2.708	226.3	200.8	3.916	3.872	3.690	3.671
January 1990	4.600	4.566	2.738	2.726	227.4	209.2	3.938	3.895	3.711	3.686
February	4.626	4.588	2.759	2.738	227.4	212.3	3.960	3.920	3.733	3.708
March	4.652	4.610	2.780	2.751	227.0	201.4	3.982	3.935	3.755	3.734
April	4.669	4.628	2.791	2.759	223.4	192.4	3.995	3.939	3.772	3.747
May	4.685	4.649	2.801	2.769	216.0	199.4	4.009	3.964	3.793	3.765
June	4.701	4.669	2.810	2.780	214.0	194.7	4.026	3.979	3.812	3.784

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1989	3367.8	3365.4	469.1	467.7	1088.9	1088.8	1809.8	1808.9	2634.1	2632.8
February	3383.2	3378.3	461.0	459.1	1093.9	1091.8	1828.4	1827.4	2641.0	2639.2
March	3390.3	3390.6	454.3	452.8	1098.4	1097.5	1837.6	1840.3	2629.4	2632.8
April	3424.2	3428.0	463.7	472.8	1110.3	1103.3	1850.2	1851.9	2642.1	2643.2
May	3451.8	3438.9	468.5	465.7	1121.2	1104.1	1862.1	1869.1	2651.1	2636.4
June	3469.2	3454.4*	467.6	464.9*	1127.6	1109.1*	1874.0	1880.4*	2652.3	2641.2*
July	3493.8	3468.0	470.3	460.7	1134.3	1114.0	1889.2	1893.3	2660.9	2642.5
August	3516.1	3491.2	473.9	465.5	1138.6	1119.5	1903.6	1906.2	2669.8	2652.7
September	3530.2	3505.1	469.4	461.2	1142.8	1124.3	1918.0	1919.6	2672.4	2653.4
October	3548.4	3526.9	470.6	465.1	1147.3	1129.3	1930.5	1932.5	2674.0	2659.9
November	3564.8	3542.6	469.0	462.0	1152.8	1134.9	1943.0	1945.7	2674.3	2662.1
December	3581.5	3563.7	467.7	465.8	1158.2	1139.5	1955.6	1958.4	2674.8	2669.1
January 1990	3602.4	3578.0	469.9	461.1	1163.6	1145.1	1968.9	1971.8	2680.4	2669.1
February	3624.0	3599.6	472.1	464.5	1169.7	1150.8	1982.2	1984.3	2688.4	2676.0
March	3645.6	3625.2	474.3	470.3	1175.8	1157.5	1995.5	1997.4	2694.5	2684.7
April	3662.2	3637.9	472.7	466.3	1180.2	1161.1	2009.3	2010.5	2694.8	2682.4
May	3683.2	3655.6	475.1	465.3	1183.5	1166.0	2024.6	2024.3	2696.3	2684.9
June	3701.7	3674.9	475.1	467.1	1186.7	1170.2	2039.9	2037.6	2698.0	2690.0

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1989	140.04	140.04	22.62	22.62	9.8	9.8	86.23	86.23	31.19	31.19
February	139.43	139.43	22.43	22.43	9.9	9.9	86.36	86.36	30.64	30.64
March	139.36	139.52	22.13	22.10	9.6	9.6	86.76	86.63	30.48	30.79
April	139.93	140.94	21.83	22.41	10.8	10.8	87.30	87.12	30.81	31.41
May	141.36	140.94	22.34	22.47	10.0	10.2	88.16	87.13	30.86	31.48
June	141.74	141.31*	22.54	22.58*	9.6	9.8	88.66	87.54*	30.54	31.19*
July	142.58	141.21	22.47	22.33	9.8	9.9*	89.19	87.92	30.92	30.96
August	143.33	142.20	21.95	22.17	10.5	10.2	89.53	88.36	31.85	31.67
September	143.15	142.08	21.87	22.11	10.2	10.0	89.86	88.74	31.42	31.23
October	143.63	142.92	22.17	22.20	9.8	9.8	90.21	89.13	31.25	31.59
November	143.88	143.00	22.02	22.06	9.7	9.7	90.64	89.57	31.22	31.37
December	144.16	143.82	21.46	22.13	9.9	9.8	91.07	89.94	31.63	31.75
January 1990	144.83	143.71	21.60	21.87	9.9	9.7	91.49	90.38	31.74	31.46
February	145.56	144.64	21.64	21.98	10.0	9.9	91.97	90.83	31.95	31.83
March	146.29	145.76	21.96	22.14	9.9	10.2	92.45	91.36	31.88	32.26
April	146.46	145.57	21.90	22.05	9.8	10.0	92.80	91.64	31.76	31.88
May	146.99	145.85	21.88	22.18	10.0	9.8	93.06	92.03	32.05	31.64
June	147.24	146.39	21.70	22.21	10.1	9.9	93.31	92.36	32.23	31.82

Fore. = May Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1989	1.678	1.678	1.199	1.199	1.486	1.486	418.0	424.8	358.9	358.3
February	1.465	1.465	1.029	1.029	1.403	1.403	414.8	418.5	355.7	349.4
March	1.399	1.409	0.986	0.981	1.230	1.230	413.5	419.2	354.2	348.0
April	1.361	1.339	1.015	1.027	1.318	1.334	409.3	415.9	350.1	345.1
May	1.406	1.311	1.021	0.980	1.305	1.336	409.0	421.3	349.6	348.8
June	1.412	1.340*	0.970	0.975*	1.317	1.307*	409.2	415.8*	349.1	343.6*
July	1.354	1.371	0.968	0.993	1.267	1.312	408.3	419.4	347.2	345.5
August	1.342	1.368	0.963	0.996	1.246	1.304	407.2	423.2	345.7	347.7
September	1.327	1.388	0.958	1.011	1.229	1.320	406.0	424.4	344.1	347.6
October	1.335	1.390	0.952	1.015	1.238	1.326	408.6	424.3	345.7	346.7
November	1.340	1.380	0.947	1.006	1.245	1.316	410.8	425.8	347.0	346.7
December	1.343	1.404	0.943	1.012	1.249	1.322	412.9	426.9	348.1	346.2
January 1990	1.296	1.410	0.935	1.023	1.217	1.313	413.0	427.8	347.6	345.8
February	1.304	1.402	0.928	1.005	1.223	1.324	414.1	426.3	348.0	343.5
March	1.321	1.405	0.921	1.022	1.229	1.328	414.1	428.1	347.1	343.9
April	1.327	1.407	0.935	1.023	1.234	1.319	416.0	429.7	348.1	344.0
May	1.335	1.430	0.942	1.036	1.236	1.362	417.7	432.0	348.7	344.5
June	1.343	1.433	0.949	1.038	1.245	1.341	419.5	433.0	349.6	343.9

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1989	135.1	134.8	81.4	85.3	201.4	204.7
February	133.7	132.7	81.5	83.4	199.6	202.3
March	138.7	135.9	74.1	78.7	200.7	204.5
April	136.6	131.2	76.5	80.8	196.2	203.9
May	136.4	134.4	76.9	86.2	195.7	200.7
June	136.6	132.7*	77.3	83.7*	195.3	199.4*
July	137.0	133.6	77.9	84.6	193.4	201.2
August	137.4	134.6	78.4	85.1	191.4	203.5
September	137.7	135.0	78.8	85.3	189.5	204.1
October	138.5	134.6	79.5	85.2	190.6	204.5
November	139.3	135.3	80.0	86.3	191.5	204.2
December	140.0	136.0	80.5	86.6	192.4	204.3
January 1990	140.3	136.5	80.9	86.9	191.8	204.4
February	140.7	136.1	81.4	85.6	192.0	204.6
March	141.1	136.5	80.8	86.8	192.2	204.8
April	141.5	137.2	81.2	87.2	193.3	205.3
May	141.3	138.0	81.8	87.5	194.6	206.5
June	141.3	138.4	82.3	87.9	195.9	206.7

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1989	357.5	357.5	128.48	128.48	40.35	40.35	33.33	33.33
February	359.1	359.1	124.11	124.11	37.19	37.19	33.46	33.46
March	360.4	361.1	125.21	125.38	38.09	38.14	34.03	34.08
April	363.4	363.5	126.63	129.37	37.76	40.39	34.26	34.60
May	365.3	365.5	129.94	123.57	37.85	36.93	34.39	34.47
June	367.2	367.4*	126.27	122.63*	37.12	36.75*	34.52	34.53*
July	370.5	369.5	126.43	124.32	36.69	37.21	34.82	34.76
August	373.4	371.8	126.68	122.76	36.63	35.94	35.03	34.91
September	376.2	374.1	126.29	122.51	36.17	35.56	35.24	35.13
October	378.9	376.5	125.76	123.12	35.84	35.82	35.36	35.29
November	381.1	378.9	125.43	122.65	35.53	35.59	35.45	35.46
December	383.3	381.2	125.89	122.74	35.72	35.62	35.75	35.81
January 1990	385.2	383.7	126.14	121.96	35.88	35.43	35.66	35.56
February	387.4	386.2	126.35	122.15	36.17	35.27	35.87	35.62
March	389.6	388.1	126.12	121.36	35.93	34.65	36.02	34.93
April	390.9	390.4	125.56	121.95	35.76	34.85	36.05	35.13
May	391.3	391.8	124.85	120.98	35.49	34.37	36.01	34.81
June	391.7	393.0	125.18	121.15	34.64	34.12	35.99	34.73

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1989	759.8	759.8	8.73	8.73	140.8	140.8	84.3	84.3
February	763.6	763.1	8.40	8.40	140.4	140.5	83.9	83.9
March	765.6	765.5	8.50	8.45	140.5	140.7	83.7	83.8
April	772.3	769.8	8.58	8.63	140.9	141.6	83.8	84.1
May	779.6	773.5*	8.62	8.69	141.2	141.4	83.9	83.8
June	786.8	778.4	8.62	8.73*	141.5	141.1	84.0	83.5
July	789.9	783.1	8.55	8.70	142.7	141.1	84.4	83.4*
August	793.0	787.5	8.61	8.74	143.9	141.1	84.8	83.3
September	795.9	793.2	8.67	8.81	145.1	141.5	85.2	83.4
October	801.4	798.4	8.62	8.75	144.7	141.9	84.7	83.6
November	808.9	803.1	8.70	8.73	144.3	142.2	84.3	83.7
December	816.3	808.6	8.78	8.84	144.6	142.3	84.4	83.6
January 1990	819.4	814.3	8.68	8.81	144.5	142.4	84.1	83.5
February	822.0	819.2	8.76	8.85	144.2	142.2	83.8	83.1
March	824.6	823.5	8.90	8.90	143.9	142.1	83.5	82.8
April	828.5	827.1	8.74	8.93	143.4	141.8	83.1	82.4
May	832.4	830.6	8.67	8.90	142.9	141.4	82.7	82.0
June	833.2	833.2	8.60	8.86	142.5	141.2	82.4	81.7

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1989	121.4	121.4	111.0	111.0	109.1	109.1	125.0	125.0
February	121.9	121.9	112.1	112.1	110.0	110.0	125.2	125.1
March	122.5	122.5	112.6	112.6	110.6	110.6	125.5	125.3
April	123.4	123.3	113.1	113.1	111.3	111.3	126.1	126.1
May	124.1	124.0	113.8	114.1	112.0	111.7	126.8	126.8
June	124.5	124.4*	114.2	114.4*	112.7	111.6*	127.2	127.1
July	125.1	124.8	114.4	114.5	113.0	112.0	127.5	127.5
August	125.6	125.2	114.7	114.7	113.5	112.4	127.9	127.9
September	126.2	125.6	114.7	114.9	112.5	111.6	128.3	128.4
October	126.7	126.1	115.0	115.0	113.9	113.1	128.8	128.8
November	127.2	126.6	115.3	115.4	114.0	113.5	129.3	129.3
December	127.8	127.0	115.6	115.5	114.2	113.9	129.8	129.7
January 1990	128.2	127.5	116.0	115.8	114.8	114.3	130.4	130.3
February	128.5	127.9	116.5	116.1	115.6	114.6	131.0	130.7
March	128.9	128.4	116.8	116.3	116.4	115.0	131.6	131.2
April	129.5	129.0	117.2	116.6	116.8	115.5	132.1	131.8
May	130.2	129.5	117.6	117.0	117.1	115.9	132.7	132.3
June	130.9	129.9	118.1	117.2	117.4	116.3	133.3	132.7

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1989	127.9	127.8	112.0	112.0	119.4	119.3	138.9	138 8	116.4	118.6
February	128.1	128.0	111.7	111.5	119.5	119.5	139.2	139.1	116.6	119.8
March	128.9	128.8	111.3	111.1	121.0	120.8	139.9	139.8	116.7	120.4
April	129.6	129.7	111.6	111.4	122.2	122.8	140.5	140.3	116.9	120.5
May	130.2	130.4	111.8	111.6	123.2	123.9	141.1	140.7	117.1	120.8
June	130.8	130.8*	112.0	111.7*	123.6	124.3*	141.7	141.1*	117.3	121.0*
July	131.3	131.2	112.4	112.0	123.8	124.6	142.3	141.6	117.6	121.4
August	131.7	131.6	112.7	112.2	124.0	124.9	142.9	142.1	117.8	121.7
September	132.1	132.1	113.0	112.5	124.2	125.3	143.5	142.6	118.0	122.1
October	132.7	132.6	113.2	112.7	124.8	125.8	144.2	143.2	118.2	122.4
November	133.3	133.1	113.4	113.0	125.3	126.2	144.9	143.7	118.4	122.8
December	133.9	133.5	113.4	113.1	125.9	126.6	145.6	144.3	118.6	123.3
January 1990	134.4	134.1	113.7	113.4	126.3	127.0	146.2	144.9	118.8	123.7
February	134.8	134.5	114.0	113.6	126.6	127.4	146.9	145.5	119.0	124.1
March	135.3	135.0	114.3	114.0	127.0	127.9	147.5	146.1	119.3	124.5
April	135.9	135.6	114.4	114.2	127.7	128.5	148.3	146.7	119.5	124.9
May	136.6	136.2	114.5	114.4	128.4	129.0	149.0	147.3	119.8	125.4
June	137.2	136.6	114.4	114.5	129.0	129.4	149.7	147.9	120.0	125.9

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators	Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)	
	Fore.	C.E.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1989	-8.68	-8.68	146.1	5109	5090	4087	4072	-26.7	-26.7
February	-9.82	-9.82	145.5	5114	5099	4085	4076	-39.6	-39.6
March	-8.86	-8.86	144.6	5127	5108	4085	4077	-41.7	-42.2
April	-9.73	-8.26	145.5	5163	5146	4094	4081	-40.2	-45.3
May	-9.92	-8.64*	143.8	5197	5173	4099	4080	-28.6	-38.4
June	-9.42	-9.13	143.5*	5231	5195	4112	4087	-23.5	-34.6
July	-10.21	-9.53	144.1	5256	5216	4122	4091	-25.5	-27.9
August	-10.88	-8.87	143.8	5288	5251	4134	4106	-28.0	-23.4
September	-10.83	-9.22	143.9	5320	5280	4147	4112	-29.9	-16.8
October	-10.62	-9.17	144.3	5341	5306	4147	4120	-28.6	-14.3
November	-10.25	-8.55	143.7	5359	5331	4145	4123	-27.4	-11.5
December	-9.56	-8.46	143.3	5379	5355	4147	4129	-26.3	-13.4
January 1990	-9.93	-8.92	142.9	5405	5380	4145	4129	-30.2	-18.1
February	-10.58	-9.43	143.2	5442	5411	4154	4140	-32.4	-18.3
March	-10.86	-9.26	142.7	5480	5439	4164	4146	-34.6	-15.7
April	-9.85	-9.25	143.0	5493	5458	4158	4141	-31.1	-16.5
May	-9.52	-9.45	142.8	5502	5473	4146	4137	-29.9	-18.8
June	-9.37	-9.16	143.0	5508	5496	4132	4142	-28.7	-21.4

	Currency Index		Adjusted Profits		30-Year Government Bonds		New York Composite	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1989	95.12	95.12	210.5	193.6	8.93	8.93	160.40	160.40
February	95.77	95.77	163.4	163.9	9.01	9.01	165.08	165.08
March	96.99	96.99	156.5	156.4	9.17	9.17	164.60	164.60
April	97.23	97.24	165.9	159.8	9.32	9.03	165.13	170.34
May	97.95	100.81	178.2	154.7	9.40	8.83	166.29	175.56
June	98.56	103.09	180.3	165.2	9.36	8.28*	164.21	180.90
July	97.43	99.76*	177.4	165.8	9.30	8.03	156.82	188.62*
August	95.82	97.24	175.7	169.6	9.25	7.86	153.54	191.11
September	94.16	96.62	174.0	172.2	9.21	7.93	150.26	188.37
October	93.09	95.43	173.1	168.3	9.18	8.11	148.29	189.57
November	91.70	93.48	172.4	166.5	9.12	7.89	148.86	182.77
December	90.36	94.12	171.9	163.3	9.15	7.75	149.30	182.49
January 1990	91.25	94.55	169.8	165.1	9.06	7.82	145.14	172.83
February	94.46	94.83	169.1	164.6	9.01	7.84	140.53	171.87
March	94.05	93.64	168.2	170.3	8.92	7.65	138.27	182.24
April	91.02	92.26	168.5	167.2	8.78	7.63	139.45	179.39
May	89.63	92.85	166.1	165.3	8.73	7.55	140.25	179.23
June	88.26	91.16	163.7	167.8	8.70	7.53	141.06	182.10

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1989	287.9	287.9	786.3	786.3	3065.9	3065.7	9.12	9.12	8.36	8.36
February	287.5	287.5	787.4	787.4	3069.7	3069.2	9.36	9.36	8.55	8.55
March	289.4	289.3	786.3	786.3	3079.5	3078.7	9.85	9.85	8.85	8.85
April	290.3	289.1	782.9	783.2	3090.4	3081.3	9.84	9.84	8.65	8.65
May	292.9	289.0	785.3	773.4	3101.3	3072.8	9.83	9.81	8.74	8.39
June	295.5	289.6*	787.2	770.8	3112.2	3090.0	9.83	9.47*	8.83	8.04*
July	297.3	289.9	792.5	775.5*	3134.6	3107.4*	10.20	9.11	8.89	7.88
August	298.1	292.4	798.9	780.9	3158.6	3129.0	10.23	8.86	8.86	7.76
September	298.9	293.6	804.9	784.0	3182.5	3141.4	10.26	8.78	8.83	7.71
October	300.4	295.5	808.6	788.3	3195.6	3158.6	10.32	8.73	8.81	7.65
November	302.8	297.2	812.4	793.5	3213.2	3179.4	10.29	8.52	8.82	7.43
December	305.2	298.3	816.2	798.7	3231.0	3200.2	10.26	8.29	8.80	7.29
January 1990	306.9	299.9	821.7	803.3	3250.4	3218.6	10.01	8.27	8.73	7.23
February	307.8	300.8	828.6	806.1	3270.3	3235.8	9.96	8.20	8.62	7.15
March	308.7	302.1	835.4	810.9	3290.1	3255.1	9.84	8.11	8.51	7.06
April	310.5	304.0	840.3	814.9	3314.3	3271.2	9.56	7.96	8.47	6.89
May	312.5	305.7	845.0	818.8	3326.1	3286.9	9.55	7.93	8.41	6.87
June	314.4	307.5	849.8	822.7	3338.0	3302.6	9.56	7.85	8.36	6.84

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1989	9.62	9.62	7.35	7.35	9.04	9.04	9.20	9.20	10.50	10.50
February	9.64	9.64	7.44	7.44	9.37	9.37	9.51	9.51	10.93	10.93
March	9.80	9.80	7.59	7.59	9.95	9.95	10.09	10.09	11.50	11.50
April	9.79	9.79	7.49	7.49	9.81	9.81	9.94	9.94	11.50	11.50*
May	9.75	9.57	7.45	7.25	9.80	9.47	9.93	9.59	11.50	11.50
June	9.83	9.20*	7.51	7.03*	9.86	9.12*	9.97	9.32*	11.50	11.07
July	9.89	8.96	7.58	6.87	10.17	8.96	10.26	9.16	11.68	10.68
August	9.95	8.89	7.64	6.75	10.26	8.76	10.35	8.98	12.00	10.50
September	9.99	9.02	7.68	6.86	10.23	8.75	10.30	8.95	12.00	10.50
October	9.90	9.15	7.62	7.01	10.30	8.79	10.41	8.96	12.00	10.50
November	9.83	9.14	7.53	6.97	10.25	8.53	10.37	8.77	12.00	10.50
December	9.76	8.96	7.47	6.91	10.22	8.28	10.33	8.53	12.00	10.41
January 1990	9.70	8.84	7.40	6.77	10.07	8.23	10.22	8.46	12.00	10.00
February	9.67	8.79	7.38	6.68	9.98	8.18	10.09	8.37	11.96	10.00
March	9.64	8.62	7.35	6.65	9.88	8.04	10.05	8.29	11.50	10.00
April	9.56	8.53	7.26	6.59	9.59	7.99	9.76	8.21	11.50	10.00
May	9.53	8.49	7.20	6.50	9.53	7.95	9.71	8.16	11.28	10.00
June	9.50	8.43	7.18	6.46	9.50	7.89	9.65	8.09	11.00	10.00

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